

# KENTUCKY ECONOMIC INDICATORS

January 2009 as of March 25, 2009

## **KY Composite Index of Leading Indicators decreased by 6.8 percent in January.**

- The Leading Index has decreased for the eighth consecutive month.
- The month-over-same-month-last-year growth rate declined for the eighteenth consecutive month with -5.6 percent growth.
- Component indicators were mostly negative for January, 1:4.
  - KY Labor Intensity Index decreased 5.2 percent.
  - KY Index of Initial UI Claims decreased by 0.9 percent.
  - + US Retail Sales increased by 24.2 percent.
  - US Manufacturer's New Orders Index decreased by 19.1 percent.
  - The Louisville Help Wanted Index decreased by three points to 6.

*Component weights for January are 68.5, 13.7, 11.5, 5.1 and 1.2 respectively.*

## **KY Composite Index of Coincident Indicators decreased by 9.1 percent in January.**

- The Coincident Index growth is negative for the third consecutive month with -9.1 percent.
- The month-over-same-month-last-year growth rate is negative for the eighth consecutive month with -3.9 percent growth.
- All three coincident components were negative in January.
  - KY Non-farm Employment decreased 6.8 percent.
  - US Industrial Production Index decreased 20.9 percent.
  - US Personal Income Less Transfers decreased 4.8 percent.

*Component weights for January are 43.6, 24.1 and 17.8 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.*

The Kentucky Leading Index fell for the eighth consecutive month with a decline of 6.8 percent in January. This is the lowest level for the leading index since August 1994. Four of the five leading index components were negative; only US Retail Sales increased with an impressive 24.2 percent increase. The sudden surge in US Retail Sales is a somewhat encouraging sign following six consecutive monthly declines. But even with the January surge, the level of sales falls 9.0 percent below the level observed in January of 2008. During the previous six months (July-December 2008), retail sales declined \$43.1 billion. That nominal loss in retail sales corresponds to the largest six-month decline in US retail sales since the U.S. government began keeping statistics on retail sales.

January marked the eighth consecutive month of declines for the Kentucky Labor Intensity Index, which fell by 5.2 percent. The annual rebenchmarking of the employment data occurred in February 2009. Rebenchmarking replaces preliminary estimates with more accurate employment data from the universe of employment accounts and with precise unemployment data from the previous year. For the five employment industries contained in the Labor Intensity Index, the rebenchmarking was largely a downward revision. During the period from June to December 2008, five of the seven months of the labor intensity index received downward revisions and two months received slight positive revisions.

Employment data revisions led to sign changes in the Kentucky Labor Intensity Index in January, May and July 2008. In January and July 2008 the signs changed from positive to negative, while in May 2008 the sign flipped from negative to positive. All three sign changes naturally impacted the Kentucky Leading Index, but only the July 2008 Labor Intensity Index sign change led to a Kentucky Leading Index sign change. The July 2008 Kentucky Leading Index sign changed from positive to negative. Revisions in the Kentucky Labor Intensity Index and in other variables caused the Kentucky Leading Index to change signs in March 2008 also. The data revisions and sign changes did not trigger a three-month rule because a trio of negatives during a contraction period does not indicate a turning point. Sign changes for the Labor Intensity Index are noteworthy because it has the largest component weight of any leading indicator. Therefore, even small changes in the Labor Intensity Index can more easily lead to sign changes in the Kentucky Leading Index.

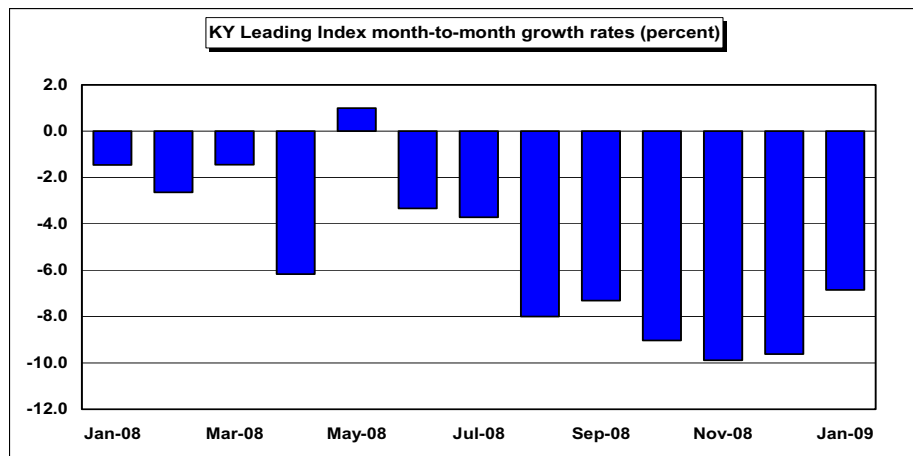
Several series going back over a year experienced magnitude changes and some sign changes. Despite that, none of our global turning points (signs for recessions and recoveries) were affected and Kentucky remains firmly entrenched in a period of contraction.

Employment continues to suffer large losses across-the-board in Kentucky. Kentucky Non-farm employment fell by 6.8 percent in January, a one-month loss of 10,600 jobs. Kentucky has lost a net 59,200 seasonally adjusted jobs (3.2 percent) since November 2007, which was the previous peak. By comparison, Kentucky lost a net 56,000 seasonally adjusted jobs (3.1 percent) during the 2001 recession (peak to trough). Four of the five manufacturing sectors in the Kentucky Labor Intensity Index declined in January. Transportation equipment employment was the hardest hit losing 5,100 seasonally adjusted jobs (11.2 percent) just since December 2008.

The Kentucky Index of UI Claims declined for the eighth consecutive month with a modest 0.9 percent fall. Seasonally adjusted Kentucky First Pays decreased by 16.6 percent to 16,900, but is still at a very high historical level. The US series, US Initial Claims, carrying the overwhelming weight, increased by 5.5 percent leading to the modest index decline. Exhaustees, continued claims, total weeks compensated and the unemployment rate all continue to increase at a high rate.

The US Leading Index increased for the first time in many months on the back of the University of Michigan's Consumer Expectations Index sharp gain of 24.2 percent to 347.2.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report*, 2000.



## About the Indicators

### Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted General Fund tax receipts are combined to form the GOEA composite reference series.

### Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: lumber products; chemical and allied products; petroleum, coal, rubber and plastic products; fabricated metals; and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **U.S. Retail Sales:** Inflection points used to determine turning points.
- **U.S. Manufacturer's New Orders Index:** This index has two components: U.S. Manufacturer's New Orders for Nondefense Capital Goods and U.S. Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

### Notes:

- Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- More information is available on our website, <http://www.osbd.ky.gov/>.

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**SELECTED KENTUCKY ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

	2008												2009
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
KY Leading Index (1992=100)	110.8	110.6	110.4	109.8	109.9	109.6	109.3	108.5	107.8	107.0	106.1	105.2	104.6
% Chg Previous Month SAAR	-1.5	-2.6	-1.4	-6.2	1.0	-3.3	-3.7	-8.0	-7.3	-9.0	-9.9	-9.6	-6.8
% Chg Same Month Last Year	-0.6	-0.7	-1.3	-1.5	-1.6	-1.7	-2.0	-2.3	-3.2	-3.7	-4.6	-5.2	-5.6
KY Leading Index Diffusion Index	56.7	56.7	50.0	50.0	50.0	50.0	43.3	43.3	36.7	33.3	23.3	23.3	26.7
KY Coincident Index (1992=100)	133.2	133.1	132.8	132.6	132.6	132.2	132.2	131.8	130.1	130.7	130.2	129.0	128.0
% Chg Previous Month SAAR	-1.1	-1.0	-2.5	-2.3	0.0	-2.9	0.0	-3.4	-15.1	6.0	-4.3	-10.5	-9.1
% Chg Same Month Last Year	1.0	0.7	0.4	0.1	0.0	-0.4	-0.6	-0.9	-2.4	-1.8	-2.3	-3.2	-3.9
KY Non-farm Employment (000s)	1,868.8	1,868.1	1,861.2	1,860.9	1,864.1	1,856.5	1,858.5	1,857.8	1,845.0	1,844.8	1,838.1	1,823.8	1,813.2
% Chg Previous Month SAAR	-2.0	-0.4	-4.3	-0.2	2.1	-4.8	1.3	-0.5	-8.0	-0.1	-4.3	-8.9	-6.8
% Chg Same Month Last Year	0.5	0.5	-0.1	-0.2	-0.2	-0.8	-0.5	-0.4	-1.3	-1.3	-1.8	-2.6	-3.0
KY Private Services Employment (000s)	1,183.1	1,183.4	1,179.6	1,181.4	1,181.8	1,178.1	1,183.6	1,183.2	1,176.3	1,177.4	1,171.6	1,165.6	1,170.4
% Chg Previous Month SAAR	-1.8	0.3	-3.8	1.9	0.3	-3.7	5.7	-0.4	-6.8	1.2	-5.8	-6.0	5.0
% Chg Same Month Last Year	0.7	0.7	0.0	0.4	0.1	-0.3	0.3	0.2	-0.4	-0.5	-1.1	-1.6	-1.1
KY Mfg Employment (000s)	252.4	252.4	251.5	249.3	250.0	246.7	245.7	243.5	240.4	239.9	237.7	230.6	220.3
% Chg Previous Month SAAR	-1.9	0.0	-4.2	-10.0	3.4	-14.7	-4.8	-10.2	-14.3	-2.5	-10.5	-30.5	-42.2
% Chg Same Month Last Year	-2.5	-2.3	-1.4	-3.2	-2.7	-4.4	-4.1	-3.6	-5.9	-5.1	-6.6	-8.8	-12.7
KY Unemployment Rate (%)	5.5	5.6	5.9	6.1	6.2	6.4	6.5	6.7	6.9	6.9	7.2	7.6	8.7
KY Index of Initial UI Claims (1992=100)	102.7	102.3	101.1	100.9	101.4	100.2	100.0	99.2	97.9	96.8	96.1	94.6	94.5
% Chg Previous Month SAAR	9.4	-4.9	-12.9	-2.3	5.7	-12.9	-2.2	-9.8	-14.5	-12.2	-8.9	-16.9	-0.9
% Chg Same Month Last Year	-0.8	-0.5	-2.6	-2.2	-2.4	-3.4	-3.7	-4.0	-5.7	-4.8	-6.5	-7.2	-7.9
KY Labor Intensity Index (1992=100)	104.3	104.3	104.1	103.8	103.8	103.5	103.4	103.1	102.7	102.5	102.3	101.7	101.3
% Chg Previous Month SAAR	-0.9	-0.6	-2.0	-3.2	0.1	-3.4	-1.5	-2.9	-5.1	-1.5	-3.3	-6.0	-5.2
% Chg Same Month Last Year	-0.4	-0.4	-0.4	-0.8	-0.9	-1.2	-1.2	-1.3	-1.8	-1.8	-2.2	-2.5	-2.9
Louisville HWI (1992=100)	19.0	18.0	20.0	15.0	15.0	15.0	13.0	11.0	11.0	10.0	8.0	9.0	6.0
% Chg Previous Month SAAR	-46.0	-47.7	254.1	-96.8	0.0	0.0	-82.0	-86.5	0.0	-68.1	-93.1	311.0	-99.2
% Chg Same Month Last Year	-45.7	-41.9	-53.5	-48.3	-50.0	-46.4	-43.5	-50.0	-52.2	-56.5	-57.9	-55.0	-68.4
GF Total Tax Receipts (\$ mill)	724.3	564.7	610.5	922.7	610.3	813.5	619.9	614.5	786.1	658.3	674.7	822.2	693.7
% Chg Same Month Last Year	6.1	3.8	-6.5	37.3	-22.2	3.2	1.9	8.5	-4.4	3.0	8.0	0.0	-4.2
GF Sales & Use Receipts (\$ mill)	296.7	205.5	209.6	232.4	238.4	249.0	266.1	251.7	233.6	252.5	216.9	246.9	284.3
% Chg Same Month Last Year	3.7	6.2	-1.4	14.8	-12.0	2.5	6.0	4.1	-0.8	2.4	-8.1	5.0	-4.2
GF Income Tax Receipts (\$ mill)	272.7	235.0	193.6	544.3	261.6	355.3	262.2	270.9	343.6	286.9	269.3	303.4	236.0
% Chg Same Month Last Year	34.9	3.5	-5.1	92.1	-22.6	22.9	5.2	12.6	3.2	8.0	13.7	2.7	-13.5

# SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

	2008												2009	
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	
US Leading Index (2004=100)	102.5	102.2	102.0	102.1	102.0	102.1	101.4	100.6	100.6	99.6	98.9	98.8	98.9	
% Chg Previous Month SAAR	-5.7	-3.5	-2.3	1.2	-1.2	1.2	-7.9	-9.1	0.0	-11.3	-8.1	-1.2	1.2	
% Chg Same Month Last Year	-1.8	-1.8	-2.2	-1.9	-2.2	-1.9	-3.2	-3.2	-3.2	-3.8	-4.1	-4.1	-3.5	
US Coincident Index (1996=100)	107.0	106.8	106.7	106.7	106.5	106.4	106.2	105.8	104.6	104.8	104.2	103.5	102.9	
% Chg Previous Month SAAR	-1.1	-2.2	-1.1	0.0	-2.2	-1.1	-2.2	-4.4	-12.8	2.3	-6.7	-7.8	-6.7	
% Chg Same Month Last Year	1.0	0.7	0.4	0.3	0.0	-0.2	-0.7	-1.1	-2.3	-2.2	-2.8	-3.4	-3.8	
US Non-farm Employment (Mil.)	138.1	137.9	137.8	137.7	137.5	137.4	137.2	137.1	136.7	136.4	135.8	135.1	134.4	
% Chg Previous Month SAAR	-0.6	-1.2	-1.1	-1.4	-1.2	-1.4	-1.1	-1.5	-2.8	-3.3	-5.1	-5.9	-5.7	
% Chg Same Month Last Year	0.7	0.5	0.3	0.2	-0.1	-0.2	-0.3	-0.4	-0.7	-1.1	-1.6	-2.2	-2.7	
US Service-Providing Employment (Mil.)	116.1	116.0	116.0	116.0	115.9	115.8	115.8	115.7	115.5	115.3	114.9	114.5	114.3	
% Chg Previous Month SAAR	-0.1	-0.5	-0.4	-0.4	-0.7	-0.6	-0.5	-1.0	-2.2	-2.0	-3.6	-4.1	-2.9	
% Chg Same Month Last Year	1.2	1.0	0.9	0.8	0.5	0.4	0.4	0.3	-0.1	-0.4	-0.9	-1.3	-1.6	
US Manufacturing Employment (000s)	13,744.0	13,692.0	13,643.0	13,586.0	13,556.0	13,505.0	13,454.0	13,387.0	13,322.0	13,203.0	13,082.0	12,902.0	12,645.0	
% Chg Previous Month SAAR	-2.8	-4.4	-4.2	-4.9	-2.6	-4.4	-4.4	-5.8	-5.7	-10.2	-10.5	-15.3	-21.5	
% Chg Same Month Last Year	-2.0	-2.2	-2.3	-2.5	-2.6	-2.8	-3.0	-3.2	-3.4	-4.1	-5.1	-6.4	-8.0	
US Unemployment Rate (%)	4.9	4.8	5.1	5.0	5.5	5.6	5.8	6.2	6.2	6.6	6.8	7.2	7.6	
US Manufacturer's New Orders Index (1996=100)	126.8	125.8	125.3	123.4	121.9	122.4	122.3	116.7	114.9	111.2	107.7	103.7	101.9	
% Chg Previous Month SAAR	-28.9	-8.9	-4.3	-16.8	-13.7	4.5	-1.1	-43.1	-16.5	-32.5	-31.7	-37.0	-19.1	
% Chg Same Month Last Year	-1.1	-2.9	-4.9	-7.0	-6.7	-6.5	-9.1	-10.4	-11.2	-14.3	-16.8	-20.5	-19.7	
US Initial Claims for UI (000s)	339.2	346.0	374.8	367.3	369.0	390.5	420.1	439.9	474.3	477.8	526.0	552.9	583.4	
% Chg Previous Month SAAR	-17.3	26.9	161.0	-21.5	5.7	97.3	140.3	73.8	146.8	9.2	216.9	81.9	90.5	
% Chg Same Month Last Year	7.7	6.5	20.4	14.3	19.6	22.6	36.1	35.2	49.0	44.8	54.7	60.4	72.0	
US Industrial Production Index (1992=100)	112.6	112.3	112.0	111.4	111.2	111.3	111.2	109.8	105.3	107.0	105.7	103.2	101.2	
% Chg Previous Month SAAR	2.0	-3.3	-2.5	-6.1	-2.4	0.7	-0.5	-14.7	-39.2	21.8	-14.0	-25.1	-20.9	
% Chg Same Month Last Year	2.5	1.6	1.5	0.4	0.2	-0.1	-0.7	-2.0	-6.2	-4.3	-5.9	-8.2	-10.1	
US Personal Income Less Trans. (Bil. 2000 chnd)	8,466.1	8,464.9	8,465.1	8,435.2	8,420.8	8,384.1	8,365.4	8,386.4	8,355.9	8,400.8	8,445.9	8,445.2	8,410.3	
% Chg Previous Month SAAR	-4.0	-0.2	0.0	-4.2	-2.0	-5.1	-2.6	3.1	-4.3	6.6	6.6	-0.1	-4.8	
% Chg Same Month Last Year	1.0	0.5	0.3	0.1	0.0	-0.6	-1.1	-1.2	-1.7	-1.3	-0.6	-0.6	-0.7	
CPI, All Urban (1982-84=100)	212.5	212.9	213.7	214.0	215.0	217.0	218.6	218.6	218.7	216.9	213.3	211.6	212.2	
% Chg Previous Month SAAR	4.4	2.1	4.6	1.9	6.0	11.7	9.1	-0.2	0.5	-9.4	-18.3	-9.1	3.4	
% Chg Same Month Last Year	4.4	4.2	4.1	3.9	4.0	4.8	5.4	5.3	4.9	3.7	1.0	-0.1	-0.2	
US Retail Sales (\$Billions)	381.4	379.4	380.0	380.8	383.8	384.1	381.6	379.0	373.0	360.3	351.8	341.0	347.2	
% Chg Previous Month SAAR	1.4	-6.3	2.1	2.5	9.8	0.9	-7.5	-7.9	-17.3	-34.1	-25.0	-31.2	24.2	
% Chg Same Month Last Year	4.3	3.0	2.3	2.8	2.0	3.1	2.0	1.3	-1.4	-5.1	-8.4	-10.5	-9.0	
US Consumer Expectations (1966=100)	68.1	62.4	60.1	53.3	51.1	49.2	53.5	57.9	67.2	57.0	53.9	54.0	57.8	
% Chg Previous Month AR	56.6	-65.0	-36.3	-76.3	-39.7	-36.5	173.3	158.2	497.4	-86.1	-48.9	2.2	126.2	
% Chg Same Month Last Year	-22.3	-23.4	-23.6	-29.8	-34.1	-34.1	-34.4	-21.4	-9.3	-18.7	-18.6	-17.7	-15.1	
Ave. Prime Interest Rate (% , NSA)	6.98	6.00	5.66	5.24	5.00	5.00	5.00	5.00	5.00	4.56	4.00	3.61	3.25	